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In the

SUPREME COURT OF THE UNITED STATES

October Term 2001

PHONOMETRICS, INC.,

Petitioner,

v.

CHOICE HOTELS INTERNATIONAL, INC.

Respondent.

On Petition for Writ of Certiorari To the
United States Court of Appeals For the Federal Circuit

CORRECTED PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Can one panel of the Federal Circuit bar future panels of that court from reviewing the fact issue of infringement of a patent involving different devices from those considered in earlier cases?

2. Where the court has construed a patent claim as a matter of law, may it decide the issue of whether the construed claim is infringed, or must it submit the issue of infringement to a trier of fact where there is a dispute as to infringement?

3. Where the cost of a long-distance call cannot be determined until the duration of the call is known, must a display of call cost show cost "in real time," "as the call progresses," before duration is known?

CORPORATE DISCLOSURE STATEMENT

Petitioner, Phonometrics, Inc., is a Florida corporation. There are no parent corporations. No publicly held company owns 10% of Phonometrics, Inc.

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CORRECTED PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

This is a patent infringement case involving a patent owned by Phonometrics, Inc. Choice Hotels International, Inc. was sued for patent infringement and filed a motion for summary judgment that it did not infringe. There was no motion challenging the validity of the patent, so it must be presumed valid under 35 U.S.C. §282. The motion for summary judgment of non-infringement was granted by the district court (A-25) and affirmed by the Federal Circuit (A-1). A timely petition for rehearing was denied and this petition followed in a timely manner.

The district court did not analyze the claims of the patent to determine whether Choice Hotels infringed (A-25). Rather, it based its decision exclusively on the Federal Circuit decision in an earlier case involving the same patent, *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998). That case involved different equipment than that used in Choice hotels. There is no evidence that Choice hotels use Northern Telecom equipment.

The district court said: "The Federal Circuit has clearly stated that the '463 patent requires 'two separate and equally important functions: (1) it provides the caller with real time, accurate information about costs of the call via digital display as the long distance charges accrue during the call; and (2) it reflects the total cost of the call via the same digital display after the call has been terminated" (A-32).

On appeal, the Federal Circuit said: "Because we have already held that claim 1 of the '463 patent does indeed claim a device that gives callers cost information both during

and after a long-distance call has ended . . . we affirm the trial court's ruling (A-1, 2). There is no analysis of the claim or any attempt to apply the construed claim to the facts in the *Choice* case to determine whether there is infringement. Instead, the Federal Circuit said that this case as well as any future case involving the patent cannot litigate the fact issue of infringement. "Under the principles of stare decisis, moreover, future panels like the present panel will follow the claim construction set forth by our court in the two decisions cited above and, therefore, we would not welcome further appeals seeking to re-litigate the meaning of that phrase. Indeed, further appeal on that issue would appear to be subject to possible sanctions as frivolously filed under Fed. R. App. P. 38" (A-3). The two decisions cited above were *Intellicall, Inc. v. Phonometrics, Inc.* 952 F.2d 1384 (Fed. Cir. 1992) and *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998).

JURISDICTION

The Judgment of the United States Court of Appeals for the Federal Circuit was entered on October 3, 2001. The Petition for Rehearing was denied on November 13, 2001. Jurisdiction in this Court is grounded on 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISIONS, STATUTES AND RULES

Constitution, Article 1, Section 8, Clause 8: To promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

Constitution, Seventh Amendment: In suits at common law, where the value in controversy shall exceed twenty dollars, the right to trial by jury shall be preserved,

and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

35 U.S.C. §112, second paragraph: The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

35 U.S.C. §282: A patent shall be presumed valid.

Fed. R. Civ. P. 38(a): The right of trial by jury as declared in the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.

STATEMENT OF THE CASE

This is a patent case involving claim construction and infringement of the patent as construed. The patent is for call cost accounting equipment that automatically displays and records the cost of all calls made. Before 1970, when the invention of the patent was made, AT&T provided, when requested in advance, a service called "time and charges," in which an operator would time a long distance call, then calculate the cost and report to the caller the duration and cost of the call, typically fifteen or twenty minutes after the end of the call. A permanent record of the cost would be sent to the subscriber at the end of the monthly billing cycle. The process was slow, tedious, expensive and labor intensive. "While it is customary for the telephone company to give time and charges for a call placed through an operator, such is not obtained when using the direct dialing procedure, which is being more widely used to reduce telephone costs" (A-9).

THE PATENTED INVENTION

The patented invention automatically took the duration of a call and the area code and number called from a private branch exchange (PBX) and fed it into a computer, which automatically calculated the cost and displayed it for viewing on a monitor and printed it for a record "for the purpose of facilitating expense allocating procedures" (A-8), such as a lawyer billing a long distance call to a client, or a hotel providing a bill of all calls made by a guest so that the guest can allocate expenses among various accounts. The invention is universally used by hotels as a service for guests. One hotel chain that uses the invention is Choice Hotels, the defendant in this case. It is undisputed that Choice hotels offer guests the service of an itemized bill upon check-out indicating the cost of each call made by the guest using the hotel as the calling telephone, recognizing the "importance of accurately indicating call costs and recording total call costs" (A-9).

One object of the invention is to provide "an apparatus for automatically and substantially instantaneously computing and recording the elapsed time and cost of a long-distance telephone call in response to available signals received from the telephone equipment wherein the time and cost information is accurate and precise" (A-10).

"A further object of this invention resides in the provision of an apparatus for cumulatively computing and recording digitally the elapsed time of a long-distance telephone call, the cost of a single call, and the total cost of a plurality of calls made from the equipment" (A-10).

The patent describes, but does not claim, an embodiment for computing costs for "some households" (A-8) in which cost is displayed as the call progresses. The

claimed embodiment for "business offices" (*id.*) does not display cost during a call because it uses a PBX, which transfers cost data after a call is terminated, rather than during a call.

The patent uses the words "substantially instantaneously" four times. Those words are first used in the patent in the object (A-10) preceding "computing and recording." The first usage in claim 1 is in the definition of the call cost register means to recite that the "display of cumulative call cost in dollars and cents" is "substantially instantaneous" (A-10). The other two uses of "substantially instantaneously" in claim 1 relate to the "transfer means" of the apparatus, which transfer data on the initial three-minute charge and the per-minute incremental charges for each additional increment of time. The significance is that computing "is done electronically in microseconds which may be characterized as instantaneously. A printed record, however, takes a few seconds to print, and is said to be 'substantially instantaneous' in the patent" (A-22). This quote is from the Amended Expert Report of Jaffer Qamar, an expert on computers and computer programming.

The transfer of data from the PBX to the computer for calculating call cost may be slower than the speed of calculating cost by the computer, so it is described as "substantially instantaneously," just as the slower time to print a record is similarly described. All four uses of "substantially instantaneously" are consistent with a meaning of slightly slower than "instantaneous." The "transfer means" of claim 1 are "for transferring charge data to the register" or computer (A-23). "The data on call duration and the number called are derived from the PBX, in most instances, and the data on rate for the call is usually in the call accounting packages, which allows a mark-up from the rate data from the PBX" (A-22). A PBX cannot display call

cost during a call, as the inventor of the patent states (A-17), because it has no display of any kind; only the computer and the printer have displays. Moreover, the PBX merely times the duration of the call (*id.*) and encodes the area code of the called party. The computer has a rate table which determines the long distance rate from the distance from the hotel to the called party (A-22) and calculates the cost by multiplying rate times duration (*id.*). The display is first electronically on a computer monitor and recorded on a printed display (*id.*).

The PBX has two data inputs to the calculation of cost by the computer: duration and area code of the called party. These data inputs are not sent to the computer during a call because the duration of a call cannot be known until the call is terminated. Sending data on only a portion of a call, before the call is over, would frustrate the object of the invention to provide "cost information [that] is accurate and precise" (A-10). The patent claim recites that the apparatus is for "recording the cost of each long-distance telephone call made from a given calling telephone" (A-10). Making a record of part of a call, say, the first three minutes, is not the claimed invention.

The first instance of "substantially instantaneously" in the patent specifies the object of providing an apparatus for both computing and recording cost. Computing, done electronically, is faster than printing, done by the application of ink to paper.

Choice hotels charge guests for making long distance calls charged to credit cards or to calling cards issued by telephone companies (A-12, 13). Access to a local telephone carrier is also charged by the hotels to the guest. The charge for access to a local line is a source of great profit to hotels because there is no carrier cost for incremental local calls (A-

13), unlike long distance charges. The patent is not limited to long distance calls (A-18). Hotels have a display in each guest room indicating the cost, digitally in dollars and cents, for local calls. Usually, it is on a card next to the telephone or else "right on the telephone" (*id.*).

ARGUMENT

1. THE PRIOR DECISIONS OF NON-INFRINGEMENT BY THE FEDERAL CIRCUIT ARE NOT BINDING PRECEDENTS ON THE ISSUE OF WHETHER CHOICE INFRINGES THE PATENT.

The Federal Circuit stated that the doctrine of *stare decisis* precludes Phonometrics from litigating against other infringers who use different equipment than that made by the previous defendants (A-3). In the prior case of *Intellicall, Inc. v. Phonometrics, Inc.*, *supra*, the accused equipment was a pay phone that "visually display[ed] to the caller the amount of money deposited" in the pay phone 952 F.2d at 1386. Choice hotels do not have pay phones in the guest rooms, so the decision that *Intellicall* pay phones do not infringe the patent cannot inure to the benefit of Choice, where there is a digital display to the guest during the calls made by the guest. The facts in *Intellicall* are not the same as the facts in *Choice*, so the doctrine of *stare decisis* does not apply.

Similarly, the equipment by Northern Telecom did not include a display of the cost of local calls in the guest's room. Consequently, the holding in *Northern Telecom* that the PBX made by Northern Telecom did not infringe the patent is not *stare decisis* in this case where no Northern Telecom equipment is used.

A prior holding that a patent is invalid as a matter of law is binding in later cases involving the patent *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Foundation*, 402 U.S. 33 (1971). But here the validity of the patent has not been challenged and must be presumed to be valid (35 U.S.C. §282). There is no issue preclusion from a prior holding of non-infringement. *Young Engineers, Inc. v. International Trade Comm.*, 721 F.2d 1305 (Fed. Cir. 1983); *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320 (Fed. Cir. 1987).

In fact, the Federal Circuit in *Northern Telecom* expressly held that *Intellicall* was not binding on the later panel under the doctrine of collateral estoppel. "Any construction of other limitations in claim 1, including any construction of those limitations at issue here [such as 'substantially instantaneously'], that we or the district court made in *Intellicall* was merely dictum, and therefore has no issue preclusive effect for this appeal" (133 F.3d at 1464). If *Intellicall* is not binding precedent on *Northern Telecom*, how can the two decisions be binding on Phonometrics under the doctrine of *stare decisis*? If *Intellicall* is not binding precedent, as the *Northern Telecom* court found, it cannot be binding precedent on future appeals by Phonometrics.

The panel that decided the *Choice* case lacks the power to bind future panels in cases involving equipment different from the Choice equipment. Nor can a panel decide, in advance, whether an appeal is frivolous in a later case. The writ of certiorari should be granted to vacate the holding that prior non-binding precedents cannot determine whether equipment used by other defendants is later cases infringes the patent, when the later equipment is not before the court. It is an advisory opinion regarding equipment outside the record in this case.

2. A TRIER OF FACT MUST DETERMINE WHETHER THE CLAIM AS CONSTRUED AS A MATTER OF LAW IS INFRINGED.

In *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), this Court held that construction of patent claims is a matter of law for the court to determine, but the issue of infringement is a fact issue to be submitted to the jury. Once the claims are construed, the issue of whether the claims are infringed must be decided by the jury. Here, the Federal Circuit construed the words "substantially instantaneously" to mean "during the call," and held that "Phonometrics has not even attempted to show that the features of the accused device meet this limitation" (A-2). In fact, the panel ignored the evidence of record that Choice hotels had charges for local calls (A-12, 13) and a display of the cost of local calls during the calls (A-17, 18).

At the very least, Phonometrics raised a genuine issue of material fact as to whether Choice infringes the patent. Even if the claims are rewritten to add the term "during the call," there remains the issue of fact whether the claim as construed is infringed by the equipment used in Choice hotels.

The Federal Circuit routinely refuses to remand cases to the district court from which the appeal is taken for determination of the fact issue of infringement because it holds the belief that it can decide the cases better than the district court can. In *Northern Telecom*, after the court construed the claim differently than the district court had construed it, it went on to actually *decide* the fact issue of infringement. "Thus, we limit our review of the district court's infringement analysis to these three devices, and ask ourselves whether any of them substantially perform the in-progress cost display function attributed to the call cost

register means. Clearly, they do not." (133 F. 3d at 1467). This usurpation of the jury function of deciding the fact question of infringement is not only improper review of district court decisions; it is a violation of the Seventh Amendment. "The right of trial by jury as declared by the Seventh Amendment to the Constitution . . . shall be preserved to the parties inviolate" (Fed. R. Civ. P. 38(a)).

When it is plain to the Federal Circuit who will win the case, it proceeds to decide the case rather than waste time remanding the case to the district court for a trial by jury. "[W]hile in a particular case, one might consider that a remand rather than a reversal might be in order, we hesitate to send back a case to the district court when it is plain to us what the result will be" Hon. Alan D. Lourie, Circuit Judge, *Remarks to the PTC Section of the District of Columbia Bar Association*, Bur. Nat. Affairs Patent, Trademark & Copyright J. 147, 149 (2000).

The Federal Circuit has decided that Phonometrics can never prove that any equipment infringes the patent, as a matter of fact, and "it is plain to us what the result will be." This Court has indicated that *ipse dixitism* of alleged experts who know what the facts are without solid scientific evidence may not be permitted, *Daubert v. Merrill Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993); *Kumho Tire Co. Ltd. v. Carmichael,* 526 U.S. 137 (1999); *General Electric Co. v. Joiner,* 522 U.S. 136 (1997).

The Federal Circuit has no hesitation to decide the facts of a particular case, no matter what the Seventh Amendment and *Markman* say about what is "essential to preserve the right to a jury's resolution of the ultimate dispute" (517 U.S. at 377). In *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*) the court held that it would review "any allegedly fact-based

questions" *de novo* by the simple expedient of characterizing the question as claim construction, not fact. If the court acknowledged that a fact issue is to be submitted to a jury for determination, it would not be able to dispose of cases when it is plain what the result will be.

This refusal of the Federal Circuit to accept the line drawn in *Markman* "between issues of document interpretation and product identification" (377 U.S. at 386) must be reviewed. Identification of the products used by Choice is a matter for the jury to determine. Whether those products infringe the patent as interpreted is also a question of fact for the jury, and the jury's function cannot be usurped. This Court emphasized in *Markman* a sentence in *Bischoff v. Wethered*, 9 Wall. 812: "*It is not the construction of the instrument, but the character of the thing invented, which is sought in questions of identity and diversity of inventions*" (377 U.S. at 386).

Whether Choice hotels have a display of the cost of local calls during the calls is an issue of fact, and is not an issue of document interpretation. Deciding not only this case but all future Phonometrics cases, as the panel purported to do, is an example of "The doubtful Omniscience of Appellate Courts" (C. A. Wright, 41 U. Minn. L. Rev. 751 (1957)). Professor Wright chose the title of the article from the dissent in *Orvis v. Higgins*, 180 F. 537,542 (2nd Cir. 1850) regarding a fact as found by a district court judge: "Though trial judges may at times be mistaken as to facts, appellate judges are not always omniscient."

This Court has often admonished that reviewing courts ought not decide facts. "[A]ppellate courts must constantly have in mind that their function is not to decide factual issues de novo. The authority of an appellate court, when reviewing the findings of a judge as well as those of a

jury, is circumscribed by the deference it must give to decisions of the trier of fact, who is usually in a superior position to appraise and weigh the evidence" *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123 (1969). "The reviewing court oversteps the bounds of its duty under Rule 52(a) if it undertakes to duplicate the role of the lower court" *Anderson v. City of Bessemer City*, 470 U.S. 564, 573 (1985). Here, the Federal Circuit, in not only deciding the fact question of infringement by choice, but all future infringement cases, has overstepped the bounds of its duty as a reviewing court.

The conclusion that "substantially instantaneously" means "during the call" simply because the Federal Circuit says so calls to mind the fantasy of Lewis Carroll's *Through the Looking-Glass*, chapter 6, where Humpty Dumpty says that a word means just what he chooses it to mean, not what the record shows: "There's glory for you! I don't know what you mean by 'glory', Alice said. I meant 'there's a nice knock-down argument for you!' But 'glory' doesn't mean a nice knock-down argument, Alice objected. When *I* use a word, Humpty Dumpty said in a rather scornful tone, it means just what I choose it to mean-neither more nor less. Lewis Carroll, Through the Looking-Glass, Chapter 6.

This case should be remanded to the Federal Circuit with instructions to have facts determined *de novo* in the district court. Whether the claim requires a display during the call is a fact question, not the interpretation of a document. Likewise, whether the claim as construed is infringed is also a fact question for the jury to determine.

3. A DISPLAY OF CALL COST IN REAL TIME AS THE CALL PROGRESSES IS IMPOSSIBLE.

The district court stated that it was following the Federal Circuit's fact determination in *Northern Telecom* that the invention "provides the caller with real time, accurate information about the costs of the call via digital display as the long distance charges accrue during the call" (A-32). None of these words appear in claim 1 regarding "digital display." It is not a matter of document interpretation to hold, as a matter of fact, that the products used by Choice hotels must operate in this manner.

One object of the invention is providing an "apparatus for automatically and substantially instantaneously computing and recording the elapsed time and cost of a long-distance telephone call" (A-10). The district court's interpretation of the claim requires a printed record of each calculation of cost "in real time." This is an impossibility, because printing in real time is beyond the capability of any known printer.

This is being prepared during the 2002 Winter Olympics, where a timer measures the elapsed time in one-hundredths of a second for ski and skate races. The human eye cannot detect the passing numerals at one hundred times per second, and one only knows the duration of a race when the event is over and the wheels of the timer stop turning. Even hundredths of a second is not "real time," which is defined in the Oxford English Dictionary as "the actual time during which a process or event occurs, esp. one analyzed by a computer as it happens." The Phonometrics patent is for

an apparatus, not for a process or an event, so "real time" has nothing to do with the structure of the equipment. It only has to do with the operation of the equipment, a process that is not claimed in any claim.

A computer can analyze events instantaneously (A-22, 23), which is even faster than a hundredth of a second. But instead of calculating cost at each hundredth of a second or faster, let us assume that "real time" only required a calculation of cost each second. The printer would have to make an entry on the guest's bill each second during the call, or sixty lines per minute. If a hotel guest is a salesman who makes ten sales calls of ten minutes each during his hotel stay (a not unlikely scenario), his bill would have sixty entries per minute times ten minutes per call times ten calls, or six thousand entries on his bill for his ten calls during his stay. It certainly does not "facilitat[e] expense allocating procedures" (A-8) to have a bill with six thousand entries for ten business calls. What the salesman wants is a record of "the cost of each long-distance call initiated from a given calling telephone" as claim 1 states (A-10), not thousands of partial, inaccurate entries on cost.

The claims of a patent are "particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." The applicant for patent, Lawrence Reich, has filed a Declaration stating what he regards as his invention. He does not regard "during the call" as part of his invention (A-17). Courts should "not strain to interpret patent claims so that a patent holder is denied the fruits of his labor on technicalities" in violation of "common sense" *Polysius Corp. v. Fuller Co.*, 709 F. Supp. 560 (E.D. PA 1989). Because a PBX, used by all Choice

hotels, does not transfer data on duration of a call until that duration is known, it makes no sense to insist that the patented invention requires data transfer in "real time" and "during the call." Interpreting the claim contrary to the inventor's intent is contrary to the statute that requires the inventor to indicate what he regards as his invention.

The patent claim should "be construed liberally, in accordance with the design of the Constitution [article 1, section 8, clause 8] and the patent laws of the United States, to promote the progress of the useful arts, and to allow inventors to retain to their own use, not anything which is a matter of common right, but what they themselves created" *Winans v. Denmead*, 56 U.S. 330, 342 (1853).

In summary judgment motions, all factual inferences should be drawn in favor of the non-moving party *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). It does not favor Phonometrics, the non-moving party, to infer that the words "real time" and "during the call" be written into the claims. "Although the specification may aid the court in interpreting the meaning of disputed language in the claims, particular embodiments and examples appearing in the specification will not generally be read into the claims" *Constant v. Advanced Micro Devices, Inc.*, 848 F.2d 1560, 1571 (Fed. Cir. 1988).

"Real time" and "during the call" are extraneous limitations which are "wholly apart from any need to interpret what the patentee meant by [substantially instantaneously]" *Dupont v. Phillips Petroleum Co.*, 848 F.2d 1430 (Fed. Cir. 1988); *Transmatic, Inc. v. Gulton Industries, Inc.*, 53 F.3d 1270, 1278 (Fed. Cir. 1995).

The impossibility of a PBX to transfer data on duration until the duration of the call is known is simply common sense. Just as one does not know who won a Olympic race until the race is over and the timer transfers data on duration of the race, so too a PBX does not transfer data on numerous points during the call. It transfers data on call duration when the duration is known, after the call is terminated. The Federal Circuit refused to consider this argument because it was "or could have been made in earlier appeals" (A-3). However, the truth is that *Intellicall* did not involve a PBX, and *Northern Telecom* did not involve call accounting equipment, simply a PBX. This is the first Phonometrics case where a hotel combines a PBX, which measures duration and stores the number called, and a call accounting computer, which takes the duration data after the call has terminated and the number called to determine the distance between calling telephone and called telephone, to calculate the cost of the call by multiplying duration times rate. This argument could not have been made in earlier appeals. Moreover, the argument of impossibility should be considered whenever it is raised, since it proves the error of the claim construction previously adopted.

CONCLUSION

The writ should be granted and the case should be remanded to the Federal Circuit permit the district court to try the issue of whether the patent is infringed under suitable jury instructions on claim construction. Jury instructions adding "real time" and "during the call" to claim 1 should not be permitted, because those words appear in no claim. The words "substantially instantaneously" cannot mean that

the apparatus must compute and record cost date continuously during a call, in real time, as a matter of fact.

Dated: April 2, 2002

Respectfully submitted,

JOHN P. SUTTON
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Facsimile: (415) 922-2885

Attorney for Petitioner
PHONOMETRICS, INC.

APPENDIX A

NOTE: Pursuant to Fed. Cir. R. 47.6. This disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

01-1045

PHONOMETRICS, INC.,

Plaintiff-Appellant,

v.

CHOICE HOTELS INTERNATIONAL, INC.,

Defendant-Appellee.

DECIDED: October 9, 2001

Before MICHEL, Circuit Judge, RADER, Circuit Judge and ARCHER, Senior Circuit Judge.

PER CURIAM.

Phonometrics, Inc. appeals from a grant of summary judgment by the United States District Court for the Southern District of Florida, see Phonometrics, Inc. v. Choice Hotels International, Inc., 117 F. Supp. 2d 1341, 1344-45 (S.D. Fla. 2000), finding that Phonometrics had

failed to raise a genuine issue concerning the infringement of U.S. Patent No. 3,769,463 (the " '463 patent"). Because we have already held that claim 1 of the '463 patent does indeed claim a device that gives callers cost information both during and after a long-distance call has ended, see Phonometrics, Inc. v. Northern Telecom, Inc., 133 F.3d 1459, 1465 (Fed. Cir. 1998), and because Phonometrics has not even attempted to show that the features of the accused device meet this limitation, we affirm the trial court's ruling.

We need not provide many of the details underlying this case, for we have already described and construed part of the '463 patent in our previous opinions. See generally id. at 1464-66; Intellicall, Inc. v. Phonometrics, Inc., 952 F.3d 1384 (Fed. Cir. 1992). Indeed, we held in Northern Telecom that the limitation "substantially instantaneous" meant the phone display device claimed by the '463 patent must give callers information about the cost of their long-distance call both during the call and after the call had ended. See 133 F.3d at 1465. We stated this holding no less than four times. Id.

This case involves the interpretation of the same limitation in the same claim in the same patent. Citing our decision in Northern Telecom, the trial court ruled that since no evidence showed that Choice Hotels' accused device similarly provided cost information during a call, Choice Hotels warranted summary judgment. On appeal, Phonometrics does not point to any record evidence showing that the accused device also provides cost information during a call. Instead, it characterizes our earlier construction of the "substantially instantaneous" limitation as "pure dictum" (Appellant's Br. at 10) or "unnecessary dictum" (id. at 24).

The contention is simply baffling. We held in Northern Telecom that "substantially instantaneous" meant

the patented phone device gave a caller cost information "throughout the duration of the call," 133 F.3d at 1459, "at all times during the call," id. (emphasis in original), "during the call," id., and "not only once the call has ended," see id. In other words, we have already addressed and answered the precise question presented in this appeal. Nor will we entertain new arguments such as alleged inoperability of the invention when the claims are construed as we have construed them, because all such arguments about the meaning of "substantially simultaneous" either were or could have been made in the earlier appeals. Under principles of stare decisis, moreover, future panels like the present panel will follow the claim construction set forth by our court in the two decisions cited above and, therefore, we would not welcome further appeals seeking to re-litigate the meaning of that phrase. Indeed, further appeal on that issue would appear to be subject to possible sanctions as frivolously filed under Fed. R. App. P. 38.

Accordingly, we discern no error with the trial court's judgment and therefore affirm.

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

01-1045

PHONOMETRICS, INC.,

Plaintiff-Appellant,

v.

CHOICE HOTELS INTERNATIONAL, INC.,

Defendant-Appellee.

JUDGMENT

ON APPEAL from the United States District Court for the Southern District of Florida *in Case No(s).* 94-CV-7097.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED.

Dated: October 9, 2001

ENTERED BY ORDER OF THE COURT

_____

JAN HORBALY, Clerk

ISSUED AS A MANDATE: OCTOBER 30, 2001

APPENDIX C

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

01-1045

PHONOMETRICS, INC.,

Plaintiff-Appellant,

v.

CHOICE HOTELS INTERNATIONAL, INC.,

Defendant-Appellee.

ORDER

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
NOV 26 2001
JAN HORBALY
CLERK

ORDER

Before MICHEL, Circuit Judge, ARCHER, Senior Circuit Judge, and RADER, Circuit Judge.

A petition for rehearing having been filed by the APPELLANT,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED.

The mandate has already issued.

FOR THE COURT

Jan Horbaly
Clerk

Dated: November 26, 2001

cc: John P. Sutton
Gordon A. Dieterle

PHONOMETRICS V. CHOICE HOTELS, 01-1045
(DCT – 94-CV-7097)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

APPENDIX D

UNITED STATES PATENT [19] [11] 3,769,463
Graham et al. [45] Oct. 30, 1973

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[54] Electronic Long-Distance Telephone Call Computer and Recorder

[75] Inventors: Phillip G. Graham, Hollywood; Lawrence Reich, West Hollywood, both of Fla.

[73] Assignee: Lorbon Manufacturing Co., Inc., West Hollywood, Fla.

[22] Filed: Feb. 28, 1972

[21] Appl. No.: 229,711

[52] U.S. Cl 179/7.1 TP
[51] Int. Cl. H0dm 15/18
[58] Field of Search 179/7 R. 7.1 TP 179/7.1 R

[56] References Cited

United States Patents
3,075,698 1/1963 Fletcher 179/7.1R
3,673,793 7/1972 Bernard 179/7.1R
3,390,395 7/1972 Gamburd 179/7.1R

Primary Examiner Kathleen H. Claffy

Assistant Examiner Kennth D. Baugh
Attorney James B. Kinzer et al.

[57] ABSTRACT

Apparatus for automatically computing and recording the cost of a long-distance telephone call including a call cost register for cumulatively indicating on a digital display the cost of a call being made and responding to a computer having an input of the cost data for the call and an input of the time period of the call

wherein the computer and recorder operate automatically in response to signal information taking directly from the telephone. Additionally an elapsed time indicator digitally displays the time period for the call and a cumulative cost register records and digitally displays the cost of all calls made.

7 Claims, 6 Drawing Figures

* * *

1

ELECTRONIC LONG-DISTANCE TELEPHONE CALL COMPUTER AND RECORDER

This invention relates in general to a computing and recording apparatus for computing and recording the cost of long-distance telephone calls and more particularly to such a computing and recording apparatus that is solid state in construction and automatically responsive to signals generated directly from the telephone.

The indication and/or recording of long-distance telephone call costs is of especial importance to certain business offices for the purpose of facilitating expense allocating procedures, as well as some households. Heretofore it has been known to provide long-distance telephone call timers and long-distance telephone call cost indicators to satisfy this need. However, such timers and

cost indicators have depended upon manual operation of the caller, such as the one disclosed in U.S. Pat. No. 3,555,193, which is subject to creating inaccuracies in the call time and the call cost as the caller may inadvertently delay or forget to operate such equipment. While it is customary for the telephone company to give time and charges for a call placed through an operator, such is not obtained when using the direct dialing procedure, which is being more widely used to reduce telephone costs. Thus, the importance of accurately indicating call costs and recording total call costs becomes more important.

The electronic long-distance telephone call cost computer and recorder of the present invention operates automatically in response to signals available and received from use of standard telephone equipment. Specifically, the apparatus of the invention is solid state in nature and responds to lifting of the receiver, answering by the called party, and replacing of the receiver to automatically cumulatively indicate the cost of the call being made, cumulatively indicate the cost of all calls made within a certain period of time, and cumulatively indicate the elapsed time of the call. The only adjustment of the apparatus to be made by the caller is to set the charge information based on long-distance rates and as presently computed on the 3-minute and per-minute in excess of three minutes basis. Once this cost data information is set, the apparatus of the invention automatically thereafter functions to indicate the call cost, the elapsed time of the call and the cumulative cost of all calls made.

Accordingly, it is an object of the present invention to provide a new and improved apparatus for computing and recording the cost of long-distance telephone calls, and further an apparatus that automatically operates in response to signals received from the telephone equipment.

Another object of this invention is in the provisions of an apparatus for automatically and substantially instantaneously computing and recording the elapsed time and cost of a long-distance telephone call in response to available signals received from the telephone equipment wherein time and cost information is accurate and precise.

A further object of this invention resides in the provision of an apparatus for cumulatively computing and recording digitally the elapsed time of a long-distance telephone call, the cost of a single call, and the total cost of a plurality of calls made from the equipment.

* * *

We claim:

1. An electronic solid state long-distance telephone call cost computer apparatus for computing and recording the cost of each long-distance telephone call initiated from a given calling telephone, actuated by the lifting and replacement of the calling telephone to operate switch means coupled to the calling telephone, and further actuated by a call-completion signal generated in the telephone system when a called party answers at a called telephone, the computer apparatus comprising:

call timing means for timing the duration of each completed call;

settable charge selector means for storing initial fixed charge data for a given predetermined initial call interval and incremental charge data for subsequent additional predetermined incremental call intervals;

call cost register means, including a digital display, for providing a substantially instantaneous display of cumulative call cost in dollars and cents;

and computer circuit means, coupled to said switch, to said timing means, to said charge selector means, and to said call cost register means, for automatically recording, in the call cost register means, the cost of each long-distance call made from the calling telephone, said computer circuit means comprising;

reset means for resetting said timing means and said call cost register means immediately upon occurrence of said call-completion signal;

initial cost transfer means initiating operation of said call timing means and for applying the complete initial fixed charge data from said charge selector means to said call cost register means substantially instantaneously upon resetting of said call timing means and said call cost register;

incremental cost transfer means for applying the complete incremental charge data from said charge selector means to said call cost register means substantially instantaneously upon completion of timing out the initial call interval by said call timing means and for again applying the complete incremental charge data from said charge selector means to said call cost register means substantially instantaneously upon completion of timing out of each incremental call interval following said initial call interval;

and termination means for interrupting operation of said computer apparatus, with the cumulative call cost held in and displayed by said call cost register means, upon operation of said switch by replacement of the calling telephone.

APPENDIX E

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(West Palm Beach Division)

Case No. 94-7097-CV-RYSKAMP

PHONOMETRICS, INC.,
a Florida corporation,

Plaintiff,

Vs.

CHOICE HOTELS INTERNATIONAL, INC.,
a Delaware corporation,

Defendant.
_____/

DEPOSITION OF WILLIAM H. STEWART, JR.

Phoenix, Arizona
May 19, 2000

Excerpts of Deposition
Page 25, line 12 to Page 26, line 23:

Q. Do you know whether Choice in the time frame of '88 to '90 charged for access to a local telephone carrier for local calls?

A. I believe that the individual hotels did. I don't know whether there was any standards or procedural suggestions from Choice regarding local calls. I know there was a

concerted effort to go the opposite way, to have the hotels provide free local access calls.

Q. In '88 to '90?

A. I can't be specific on the time, so no, I would not be able to narrow it to that time frame.

Q. And now, why was Choice -- why did Choice want free local calls?

A. As a incentive for customers to stay at their hotels.

Q. Now, isn't it a fact that the individual hotels treat call accounting as a profit center for the hotel?

A. I would agree.

Q. And that in fact the vendors pitch it as a good source of highly profitable business for the hotel, is that right?

A. That's correct.

Q. And with a local call, the hotel has zero cost as far as cost of goods sold or whatever you want to call it, isn't that right?

A. Correct.

Q. So what they charged for local calls is nearly 100 percent profit, isn't it?

A. I would agree.

Q. And so in other words, I guess attention is between Choice, who wanted their guests to have free calls, and the

hotels who realized that they didn't want to cut off this good source of profit. Isn't that fair?

A. That's correct.

APPENDIX F

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(West Palm Beach Division)

Case No. 94-7097-CIV-RYSKAMP

PHONOMETRICS, INC.,

NIGHT BOX
FILED
AUG 29 2000
CLERK, USDC / SDFL / WPB

Plaintiff,

v.

CHOICE HOTELS INTERNATIONAL INC.

Defendant.
_____/

AMENDED DECLARATION OF REICH

Lawrence Reich, under penalty of perjury, declares:

1. I make this declaration of my own personal knowledge. If called to testify on these matters, I could competently do so.

2. I am one of the two inventors of the patent in suit. Our invention is an automatic system to provide a record of each toll call to facilitate cost accounting. The elements of the invention are an automatic signal to begin timing the duration of a call and a termination signal to stop timing the call, from which the duration of the call can be determined; a rate table for entering the long distance rate applicable to each call; and a computer, including a display, for multiplying rate times duration to arrive at cost in dollars and cents. The display may be electronic, as on a computer

monitor, or printed, as in a bill from a hotel, giving details on each toll call made. Whether electronic or printed, the display must show visually the cumulative cost of each call in dollars and cents. The invention was made in approximately 1970 to provide an automatic system for accounting for the cost of telephone calls. In 1970, there was only one telephone company, AT&T, and it provided accounting for the cost of long distance calls at each billing cycle, once per month. Where a person desired to allocate the cost of certain calls to a particular file, as by client, department, or profit center, there would be a delay of up to a month before such allocation could take place.

3. The invention was an outgrowth of a prior patent that displayed cost, but was not automatic. It is an important feature of the present invention that it be automatic, and does not depend upon a person to start the system or do any calculating. In 1970, the way one was able to know the cost of a long distance call was to call the telephone operator to place the call and give "time and charges" after the call was terminated. The operator dialed the destination number, which would provide the rate for the call from a table showing the distance to the destination number, and pressed a button to start a timer. When the call was terminated, the timer was shut off, and duration was multiplied by rate to determine the cost of the call. The operator would then report to the caller, whether it was a hotel or a residence, the duration of the call and the cost in dollars and cents. Usually, it took ten to fifteen minutes for the operator to report back, depending on how busy the operator was. It was a slow, tedious, expensive and labor-intensive process.

4. The primary benefit of the present invention is that it replaces an operator with a computer that is programmed to automatically store data on call duration,

long distance rate, and cost for all calls on the system. Any data in the database may be shown on the computer monitor and a permanent record may be prepared on an associated printer. While the data may be shown on a monitor instantaneously, it takes a few seconds to print a permanent record. That is why the claims speak of "substantially instantaneously." An electronic display is shown instantaneously, but the permanent record of call costs is slightly slower, or "substantially instantaneously." There can be no doubt that the invention was for a "computing and recording apparatus" as shown in column 2, lines 32-33 of the patent (Exhibit 1 attached). The words "substantially instantaneous" were never intended by the inventors to mean a display to the caller or a display during a call.

* * *

The ROLMPhone 400 had a signal to the clock in the computer to indicate the "start" of measurement of duration, unlike a PBX timer set to zero before commencing a call. The difference is that a call accounting system can display call cost during a call in progress, as the brochure states, and a PBX timer cannot. A hotel guest has a handset on an intercom line connected to a PBX, which connects to trunk lines of a telephone carrier. The hotel is the calling party because it pays for the telephone lines and contracts with the telephone company. The hotel guest is not the calling party because he only deals with the hotel PBX. When the guest wants to make a toll call, he has to get access to one of the hotel's outside lines to make a call. Just because the guest has access through the PBX to a telephone line belonging to the hotel does not mean that the guest, rather than the hotel, agrees to pay for the cost of the call.

* * *

17. Similarly, the invention is not limited to long distance calls. "While the computing and recording apparatus hereinafter described is intended to apply to long-distance telephone calls, it could likewise apply to toll calls with modifications within the scope of the invention" (Exhibit 1, column 2, lines 39-43). Because hotels made long-distance call surcharges into a profit center, boosting hotel profits with no increase in costs which were billed to the guest, many guests began using 800 numbers for placing long-distance calls without charging the cost of the calls to the room. Other guests would make a local call to a long distance carrier, then charge a calling card or a credit card. To partially offset this lost revenue, hotels began charging a flat rate for local calls. Today, and in the relevant period, the practice was almost universal, with a display in the guest's room, often right on the telephone, that local calls cost a fixed amount. Thus, local calls are now toll calls, to which the invention applies. When a guest makes a local call, the computer records the fixed cost in the database, and there is a display of call cost during the call in progress. There can be no dispute that a hotel guest making a local call knows the cost of the call in progress throughout the duration of the call.

I declare under penalty of perjury that the foregoing is true and correct. Executed on August 22, 2000, at Apollo Beach, Florida.

/S/
LAWRENCE REICH

APPENDIX G

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 94-7097-CIV-RYSKAMP

PHONOMETRICS, INC.,
a Florida corporation,

Plaintiff,

v.

CHOICE HOTELS INTERNATIONAL,
INC., a Delaware corporation,

Defendant.
_____/

NIGHT BOX
FILED
AUG 29 2000
CLERK, USDC / SDFL / WPB

AMENDED EXPERT REPORT OF JAFFER QAMAR

Jaffer Qamar, under penalty of perjury, declares:

1. I am the President of SmartPad, Inc. a manufacturer of computer peripheral equipment. In particular, my company makes remote keyboards for the education industry. A remote keyboard allows students to make notes and do mathematical calculations on a keyboard at home or on the student's own time away from a computer. When the student has access to a host computer, as in a classroom, the notes and calculations may be downloaded into the memory of the host computer for review and editing by the student or review by the teacher. I researched computer equipment for the education market, and created, from scratch, a portable, intelligent, wireless word processor

with an embedded editing and parsing calculator. I am currently manufacturing and selling the device with an infrared link to either Mac or PC computers for wireless communication with computers and printers in schools and homes. My product is the winner of the *Media & Methods Magazine* Awards Portfolio 2000. The judges assessed clarity of educational purpose, content, interest level, documentation, strength and weakness.

2. I was trained as an engineer, receiving my first degree in Electrical Engineering and Computer Science from Northwestern University in 1979. I also received a Bachelor of Science in Applied Sciences from Northwestern. I completed all course requirements for a Master of Science degree from Northwestern, but I did not stay for the two-year residency requirement. I received a Masters in Business Administration in 1981 from the University of Chicago in one year (two year program). I enrolled in the Doctor of Philosophy in Operations Research program at Yale University in 1983 and 1984, and then transferred to the University of Chicago. From 1985 to 1993, I was in the Doctor of Philosophy in Economics program at the University of Chicago. I have completed all requirements for the Ph.D. program and am awaiting approval of my dissertation.

3. I worked as a computer programmer for NASA at the Goddard Space Flight Center in Maryland in 1979 and 1980. I programmed on the Digital Equipment Corp. PDP-8 and PDP-11 mini-computers for the Geosynchronous Satellite Relay Systems. I worked for IBM Corp. from 1982 to 1985 in Poughkeepsie and Fishkill, New York in Strategic Planning and Competitive Analysis for IBM large mainframe systems 3080 and 3090.

4. From 1988 to 1993, I was a research contractor and programmer in Chicago, Illinois, advising banks and investment and finance companies. I researched and analyzed financial data and wrote trading and hedging algorithms for stocks, bonds, options and futures portfolios.

5. From 1993 to present, I have been the President and CEO of SmartPad, Inc., San Francisco.

6. I have spent 25 years involved in the history of computer design and the capabilities of computers to perform routine tasks. I have reviewed United States Patent 3, 769,463, and I am familiar with the computers that may be used for the apparatus described and claimed in that patent.

* * *

21. The hotel contracts with a local telephone carrier and a long-distance telephone carrier (the same carrier may do both). The hotel agrees to pay for the telephone calls made over the lines, whether the guest pays the hotel or not. Liability for charges is solely on the hotel, not on the hotel guest, except where the guest contracts directly with a carrier and pays the carrier by credit card or calling card. The guest is liable to the hotel for call costs at whatever rate the hotel charges, and is not liable to the carrier unless a contract is separately made with the carrier. Even in that instance, the hotel charges a toll for the call the guest makes to the carrier. The guest knows the cost of a local call during the call, since each local call has a fixed toll. The telephone line is connected to the hotel PBX and is not directly connected to the guest room. If each guest room had a dedicated line for the hotel guest, many more telephone lines would be required. A PBX enables efficient use of a smaller number of lines for all guests.

22. The data on the call duration and the number called is derived from the PBX, in most instances, and the data on the rate for the call is usually in the call accounting packages, which allows a mark-up from the rate data from the PBX. The long distance rate is usually determined by vertical and horizontal coordinates indicating the distance from the hotel to the called party by the area code entered into the PBX. Some systems, such as Hitachi and Mitel, have integrated information on both duration and rate in the database of a single computer using inputs from the PBX and the computer. The Abstract on the first page of the patent states that the display was "responding to a computer having an input of the cost data for the call and an input of the time period of the call." The apparatus takes duration and destination number inputs from the PBX ("signal information taken directly from the telephone" in the abstract of the Phonometrics patent) and enters them into the computer database that already has the long distance rate for the call. The computer multiplies the duration times the long distance rate and provides a digital display of cost. The display may be electronic, as on a computer monitor, or permanent, as on a printed record. The patent describes the invention as a computer and recorder in the title, the abstract, and in column 2, lines 31-32. Computing is done electronically in microseconds which may be characterized as instantaneously. A printed record, however takes a few seconds to print, and is said to be "substantially instantaneous" in the patent. The computer can display on a monitor the cost of the call for the first three minutes and for each minute thereafter, if one wishes. It can also feed the data to a printer so that a permanent record of each of the costs is made as costs mount. However, the hotel guest wants a permanent record of the cost for the "purpose of facilitating expense allocation procedures" (column 1, lines12-13). The meaningful information for the guest is a permanent record of cumulative call cost after the call has

ended. The hotel guest has little reason to watch costs mount with a continuous display of the cost of the call in progress.

* * *

27. It is also important to note that no claim uses the words "during the call" or "substantially simultaneous." I am aware that the court in the Southern District of Florida held that the words "substantially instantaneous" mean "during the call," and the Court of Appeals for the Federal Circuit affirmed that holding. In my opinion, that claim construction is wrong as a matter of fact for three reasons:

(a) The words "substantially instantaneous" are descriptive of speed, not of events. The ordinary meaning is almost or nearly instantaneous, as contrasted to the minutes that elapsed between the end of a call and the report of "time and charges" using the prior art system of AT&T. The patented system provides an electronic display of call cost instantaneously, but a paper display of the cost of each call for the hotel guest to take with him on checkout takes a few seconds for the printer to print the data in the computer database. It is that printing time that makes the system provide a permanent record "substantially instantaneously" instead of instantaneously.

(b) It is not the ordinary dictionary meaning of the term "substantially instantaneous," a term of speed, to mean during a call, a term of when an event takes place. The claim term "substantially instantaneous" should not be rewritten to be "substantially simultaneous" because that is not what the term means. The term "substantially simultaneous' is used in the patent at column 3, lines 5-12 to indicate occurring at the same time or when an event takes place. It is distinguished in that passage from "substantially instantaneously" to indicate speed of action. No claim uses the words "during the call," "cost of a call in progress," or

"substantially simultaneously." Those words describe when a display is shown, not the speed of showing the display. The inventors knew how to explain the difference in the specification and claims, and the inventors' intent should not be disregarded. The plain language of the specification and claims shows that "substantially instantaneous" is not "during the call."

(c) The inventors knew how to say "as the call progresses" because they did so at column 3, line 30 of the patent. They also knew how to say "substantially simultaneously" in column 3, lines 5-12. Because those words were not used in any claim is some evidence that the inventors did not want to limit the claims to "during the call." The embodiment described at column 3, lines 22-44 can only be used in a residential telephone with a dedicated telephone line, where a display of cost during the call as well as when the call is terminated. In a hotel or business setting, the caller is the PBX, not the resident, and the PBX operator could not watch the costs mount in each of the outgoing trunk lines in use at any moment, nor would the operator want to do so. It makes no sense to write the term "during the call" into the claims in the commercial setting because there is no value to have such a display to a front desk attendant.

I declare under penalty of perjury that the foregoing is true and correct. Executed on August 28, 2000 at San Francisco, California.

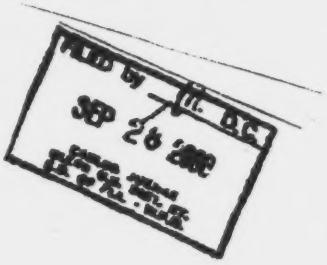
/ S /

JAFFER QAMAR

APPENDIX H

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH

Case No. 94-7097-CV-RYSKAMP



PHONOMETRICS, INC.,
a Florida corporation,

Plaintiff,

Vs.

CHOICE HOTELS INTERNATIONAL, INC.,
a Delaware corporation,

Defendant.
_____/

ORDER GRANTING DEFENDANT'S RENEWED MOTION FOR SUMMARY JUDGMENT

THIS CAUSE is before the Court upon Defendant's Renewed Motion for Summary Judgment [DE 48], filed April 10, 2000. Defendant filed a Response [DE 56] on May 23, 2000. On September 15, 2000, Defendant filed a Reply [DE 74]. Both parties filed various affidavits and reports in support of their arguments. Defendant's motion is now ripe for consideration.

I. BACKGROUND [1]

On November 15, 1994, Plaintiff Phonometrics filed its complaint [DE 1] against Defendant Choice Hotels International, Inc. ("Choice"), alleging patent infringement pursuant to 35 U.S.C. § 100 *et seq.* (Compl. ¶ 1). Plaintiff's suit stems from its now-expired patent, United States Patent Number 3,769,463 ("The '463 Patent"), issued on October 30, 1973 to Phillip G. Graham and Lawrence Reich and entitled "Electronic Long Distance Telephone Call Computer and Recorder" (Compl. ¶ 8). Plaintiff alleges that Defendant is using internal telephone equipment to calculate, display, and record the cost of long distance telephone calls originating within its hotels (Compl. ¶ 10). Defendant's use of this equipment, Plaintiff claims, infringes upon the '463 Patent because it allows Defendant to, among other things, compute the total cost of a long distance telephone call through storage of data within a cumulative multi-call cost register (Compl. ¶¶ 12-15). Because Plaintiff's patent expired on October 30, 1990, it seeks only to recover damages for the period of time prior to expiration.

Defendant Choice Hotels International, Inc. owns and manages various hotel properties. All of the Choice hotels used the same internal telephone operating systems prior to

[1] The background facts and information are developed from the parties' statements of fact, affidavits, and other evidence submitted in support of their pleadings.

October 30, 1990. The systems used by Choice did not display to hotel guests the costs of a telephone call, or any portion thereof, during such a call. (Affid. Of Stewart ¶ 8-10). The systems thus did not provide callers with a running, real-time total cost of a long-distance telephone call in dollars and cents while such call was in progress. Id. Only after a call was complete could a Choice hotel guest receive information regarding the cost of a telephone call, and in such case that information was not available through any display device within the phone itself. (Affid. Of Stewart ¶ 11-12). Only the hotel , through a folio retrieved from an internal database, could determine the costs of a guest telephone call, and it could do so only upon completion of the call. The hotel guest making the call had no access to a running, real-time digital costs display at any time. (Affid. Of Stewart ¶ 13). Plaintiff's expert, Jaffer Qamar, President of SmartPad, Inc., evaluated Choice hotels' system but bases his entire expert report upon his opinion that the hotel itself, and not the guest making the call, is the "caller" for purposes of the patent. (Qamar Rep. ¶¶ 25-26, 30). Mr. Qamar's expert report is also based upon the assumption that Plaintiff's claim "does not require printing records of calls that have not ended." And does not require information provided the caller be transmitted during the call. (Amend. Qamar Rep. ¶¶ 14, 27, 34).

As described in the patent itself, the invention permits a caller to set and store the long-distance charges applicable to a particular call and to visually monitor those

costs in increasing dollars and cents while the call is in progress. The invention may also be set to indicate elapsed time and to cumulatively indicate the costs of all calls made during a given period of time. (Patent-in-suit, col. 1, lines 37-39). In order to provide this visual display of costs while the call is in progress, the invention includes a digital display which, according to the patent-in-suit, has two functions: 1) to display the cumulative cost of a single call "to continuously remind the caller as to the cost of the call as the call progresses, and 2) to indicate the total cost of the call at completion." (Patent-in-suit, col. 3, lines 27-31). The apparatus thus performs two basic functions: continuous real-time display of the present call's costs to the caller, and a report of the cumulative cost upon the call's completion.

On February 2, 1997, this Court stayed [DE 41] the present case pending the resolution of Plaintiff's parallel suits against various manufacturers of telephone equipment. After this court granted summary judgment in favor of several equipment manufacturers, the Federal Circuit issued an opinion with respect to Plaintiff's patent claims. See Phonometrics, Inc. v. Northern Telecom, Inc., 133 F.3d 1459 (Fed. Cir. 1998). In its opinion, the Federal Circuit went into great detail in evaluating the scope of Plaintiff's '463 Patent. Specifically, the Federal Circuit held that 1) "digital display" does not include machine readable devices that merely save call information on a computer for later access;
2) "substantially instantaneous display of cumulative call cost in dollars and cents" means "functions to display current, accurate information about the costs of a call" that is

displayed for costs "as they accrue, in real time, and not only once the call has ended;" 3) the patent requires that "the costs displayed in the register must be accurate at all times during the call, so that regardless of the point at which the call is terminated, the cumulative cost displayed in the register will be accurate, without further calculation;" and 4) any real-time information provided by the equipment must be provided to "the caller." Id. at 1463-65. In sum, the Federal Circuit found that the following is required for Plaintiff to maintain a patent infringement suit with respect to the '463 Patent: "[A] device which displays the cumulative costs of a long distance call both as charges accrue and after the call has been terminated." Id. at 1466.

On April 19, 2000, this Court re-opened this case [DE 51] pursuant to the Federal Circuit's ruling. On April 10, 2000 Defendant filed its Renewed Motion for Summary Judgment [DE 48]. Defendant asserts that it is entitled to summary judgment because 1) Choice hotels do not use equipment that displays the cost of a long distance call in a real-time display, but rather computes such costs at the end of the call; and 2) Choice hotels do not provide such a running costs display to the caller, i.e., the hotel guest who is actually placing the long distance call. (Ren. Mot. S.J. at 4-5). Plaintiff's Response [DE 56], filed May 23, 2000, contends that summary judgment is inappropriate because 1) the patent does not require a display to remind the caller of mounting costs; 2) the phone systems used by Choice is capable of digitally displaying the cost of a call; and 3) the phone system used by Choice provides a "substantially instantaneous" print-out of guest call costs to the hotel, which is actually "the caller" in that context.

II. STANDARD FOR SUMMARY JUDGMENT

Federal Rule of Civil Procedure 56(c) sets forth the standard governing summary judgment. In its most basic form, summary judgment is appropriate where there is no genuine issue of material fact in dispute and the moving party is entitled to judgment as a matter of law. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247-48 (1986) ("the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirements is that there be no *genuine* issue of *material* fact.") (emphasis in original). An issue of fact is material if it might affect the outcome of the suit under the governing law. Id. at 248. An issue of material fact is genuine "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." Id.

The party seeking summary judgment bears the initial burden of demonstrating the absence of a genuine issue of material fact. Adickes v. S.H. Kress & Co., 398 U.S. 144, 157 (1970). Once the moving party has met its burden, the party opposing summary judgment may not simply rely on the pleadings or mere denials of the allegations. Rather, the opposing party must adduce some evidence showing that material facts are in issue. Anderson, 477 U.S. at 256. "Rule 56(c) therefore requires a non-moving party to go beyond the pleadings and by [its] own affidavits or by the depositions, answers to interrogatories, and admissions on file designate specific facts showing that there is a genuine issue for trial." Celotex Corp. v. Catrett, 477 U.S. 317, 324 (1986). See also Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986).

The Eleventh Circuit has restated the method for allocating burdens in a summary judgment motion. Specifically, in accordance with U.S. Supreme Court precedent,

> The moving party bears the initial burden to show the district court, by reference to materials on file, that there are no genuine issues of material fact that should be decided at trial. Only when that burden has been met does the burden shift to the non-moving party to demonstrate that there is indeed a material issue of fact that precludes summary judgment.

Clark v. Coats & Clark, Inc., 929 F.2d 604, 608 (11th Cir. 1991). With respect to patent cases, the Federal Circuit has stated a good faith dispute as to the meaning and scope of asserted claims does not, in and of itself, create a genuine dispute to preclude summary judgment. See Lantech, Inc. v. Keip Mach Co., 32 F.3d 542, (Fed. Cir. 1994).

III. DISCUSSION

Although patent infringement analysis may involve questions of both law and fact, summary judgment may still be proper where there is no genuine issue of material fact. See Nike Inc. v. Wolverine World Wide, Inc., 43 F.3d 644, 646 (Fed. Cir. 1994). Where the evidence concerning the structure and operation of a patented device is not refuted, summary judgment may be properly granted. See

Phonometrics, 133 F.3d at 1464. In the instant case, for the reasons stated below, no issue of material fact exists with respect to whether Defendant used telephone equipment that infringed upon the '463 Patent, and summary judgment in favor of Defendant is therefore proper.

The Federal Circuit has clearly stated that the '463 Patent requires "two separate and equally important functions: (1) it provides the caller with real time, accurate information about the costs of the call via digital display as the long distance charges accrue during the call; and (2) it reflects the total cost of the call via the same digital display after the call has been terminated." Id. at 1465. The court specifically rejected Plaintiff's claim that the patent does not require a real-time digital display of cost, but rather merely some form of cost calculation. Id.

Plaintiff makes two arguments in an attempt to distinguish the present matter from the Federal Circuit's findings in Northern Telecom, and Plaintiff's expert report relies heavily upon both being true. Both arguments fail. First, Plaintiff argues in its Response and at oral argument that in the case of a hotel the "caller" is not the guest making a long-distance call from the hotel room, but rather the hotel itself. Plaintiff contends that because the hotel has a contract with the phone company and is ultimately responsible for the cost of the call should the guest not pay, the hotel is the "caller" for purposes of the patent. This Court disagrees. Not only does Plaintiff's argument contradict the common sense meaning of the term "caller," it is inconsistent with the

Federal Circuit's decision in Northern Telecom. Second, Plaintiff argues that its claim does not require a real-time display to remind the caller of the cost of a call. This Court disagrees, for the Federal Circuit made it quite clear in Northern Telecom that Phonometrics' patent does indeed require such a running display. Plaintiff argues that the Federal Circuit's interpretation of the patent is "a mistaken interpretation of fact" that should not be adopted by this Court. Nevertheless, not only does this Court agree with the Federal Circuit's interpretation, it is bound by it.

The Court's consideration of Defendant's Renewed Motion for Summary Judgment is thus simple: in order for Plaintiff to prevail in its suit against Choice, it must show that the equipment used by the hotels serves *both* of the functions outlined by the Federal Circuit. If there is no dispute of material fact with respect to whether Choice hotels provide callers (hotel guests) with a real-time digital display depicting the cost of a call both during and after completion of that call, summary judgment must be granted in favor of Defendant.

In the instant case, there is no dispute of material fact with respect to the question of whether Choice hotels' telephone system provides callers with a real-time digital display in which the caller can track the cost of a call in dollars and cents while the call is in progress. Plaintiff does not even *accuse* Choice of having such a system, but rather attempts to construe Choice's system of such by arguing that the hotel has substantially instantaneous access to the cost of guest calls (both local and long-distance) through its computer database. Never does Plaintiff allege that Choice's

guests have a real-time cost display, nor does the Court have before it any facts to support such a contention. Simply put, there is not even an *allegation* before the Court that Choice has violated the patent as it has been defined by the Federal Circuit. Because Choice's telephone system does not provide either of the two basic functions of the '463 Patent, there can be no infringement as a matter of law and there is no dispute of material fact. [2]

For these reasons, it is hereby

ORDERED AND ADJUDGED that Defendant's Renewed Motion for Summary Judgment [DE 48], filed April 10, 2000, is GRANTED. The Court retains jurisdiction to resolve the issue of attorney's fees and costs. Final Judgment shall be entered by separate order.

DONE AND ORDERED in Chambers in West Palm Beach, Florida this 28th day of September, 2000.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

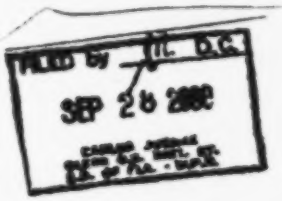
Copies to:
Gordon A. Dieterle, Esq./John P. Sutton, Esq.

[2] Overall, Plaintiff's continued efforts to litigate its claims against hotel chains are weak in light of the Federal Circuit's affirming summary judgment against the manufacturers. It seems certain that if Plaintiff has no valid patent claim against the companies that manufacture the telephone equipment, it surely has no claim against the hotel chains that simply *use* such equipment.

APPENDIX I

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH

Case No. 94-7097-CV-RYSKAMP



PHONOMETRICS, INC.,
a Florida corporation,

Plaintiff,

Vs.

CHOICE HOTELS INTERNATIONAL, INC.,
a Delaware corporation,

Defendant.
_____/

FINAL JUDGMENT

THIS CAUSE came before the Court upon the Defendant's motion for summary judgment [DE 48] filed May 23, 2000. Considering this Court's Order Granting the Defendant's Motion, an entry of Final Judgment is appropriate.

THE COURT has considered the pertinent portions of the record and being otherwise fully advised, it is hereby

ORDERED AND ADJUDGED that FINAL JUDGMENT IS HEREBY GRANTED on behalf of the Defendant. The Clerk of the Court shall CLOSE this Case and DENY all pending motions as MOOT. The Court reserves jurisdiction over motions for attorneys' fees, costs and other post-trial motions.

DONE AND ORDERED in Chambers at West Palm Beach, Florida this 28th day of September, 2000.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

Copies to:
Gordon A. Dieterle, Esq.
John P. Sutton, Esq.